

SUMMARIZED MEETING MINUTES BOND TASK FORCE REGULAR MEETING VIA LINDA SENIOR CENTER Room 4 10440 N. Via Linda, Scottsdale, AZ September 19, 2012

Call to Order/Roll Call - 5:05 p.m.

Present: Bill Heckman, Chairman (telephonic until 6:28 p.m.); Judy Frost, Vice Chair; Wayne Ecton (arrived at 5:16 p.m.); Abigail Hoover; Bob Kammerle; Teresa Kim Quale; Sue Sisley (arrived at 5:20 p.m.)

At the request of Chairman Heckman, Vice Chair Frost presided over the meeting.

 Approval of September 5, 2012 Summarized Meeting Minutes from the 2013 Bond Task Force

Motion to accept the minutes of the September 5, 2012 meeting as presented by Teresa Kim Quale. 2nd Bob Kammerle.

Approved 5:0 (Wayne Ecton and Sue Sisley arrived later.)

2. Presentation and discussion on the Ethics of Advocacy – *Jack Shafer, City Attorney's Office*

Jack Shafer made a presentation to the Bond Task Force that covered the current state of the law regarding the prohibition on using city resources to influence an election. He discussed the applicability of the law to Bond Task Force member activities. He also explained that state law allows an individual board member to express their opinions to the public through various options and how that applied to Bond Task Force members. He concluded by giving advice to the Bond Task Force members that they not participate in Speak Up Scottsdale items that relate to the Bond Task Force due to its ownership by City and potential to unintentionally create a situation of influencing an election.

A Task Force Member asked about speaking at City Council meetings. Jack Shafer said as long as they speak as an individual and not as a member of the Task Force it is permitted.

Vice Chair Frost said it would be helpful to have a handout summarizing the rules. Jack Shafer said he hopes to write one. Erin Walsh clarified that

everyone can participate in Speak Up Scottsdale as a Scottsdale resident, and encourage their friends, family members, and colleagues to join in.

8. At the request of Member Ecton, discussion and take possible action on resident concerns voiced at the September 5, 2012 meeting including: 1) discuss use of user fees to provide additional support for debt payments, and 2) discussion on addressing the need and/or consequences of the inclusion or exclusion of projects within the program.

Vice Chair Frost noted they would discuss this item next as Derek Earle had to leave the meeting for another engagement.

Derek Earle described comprehensive financial policy # 10, related to the enterprise funds. The fees and charges are reviewed annually and evaluated to be sure that they are sufficient to cover all costs of service, including debt service, and keyed into the long-term financial plans of each fund.

All user fees within the City are examined to determine the direct and indirect cost of service recovery. Basically all user fees for public facilities are structured to cover the cost of the service. However the fees do not cover the cost of any associated debt service. The City's goal with general obligation bonds is to focus on secondary assessed valuation, basically property tax supported bonds.

As for discussion on addressing the need and/or consequences of the inclusion or exclusion of projects within the program, Derek Earle said staff will not respond. The Task Force can discuss this, based on the work members have done over the past year. The person who spoke at the last meeting may not have seen what the Task Force did last year.

A Task Force Member thanked Derek Earle for his explanation, opining that had members of the public attended meetings of the previous Bond Task Force, they would have a greater appreciation of the depth Members went into to make their decisions. There may have been some weakness on the part of the City in promoting to the public that there was a sense of urgency and how much due diligence went into making the decisions. It is important that this year that sense of urgency be conveyed. Most of the items the Task Force recommended to City Council were critical and necessary for the community's quality of life.

Vice Chair Frost invited public comment.

Mark Stuart said he felt the answer was evasive. If they cannot summarize that "These projects are necessary and essential because ..." in fewer than 20 words, they have not done their homework. He opined that the Task Force is not really sensitive to what is going on with the working people of Scottsdale. Next year his social security expenses will rise by \$2,000.

Dividend tax is rising. He is preoccupied with making the best use of his own money and does not get that sense from the Task Force. Mark Stuart said he has downloaded all the Task Force materials. He said that projects funded by revenue bonds must be feasible as a standalone project. The underlying message seems to be that projects are not feasible as standalone projects and the City does not want to let the public or the bond rating agencies know this. Instead homeowners will have to bear the added cost. Mark Stuart said this is not personal but he would like to see a change in tone towards homeowners.

3. Public Involvement Update – Erin Walsh, Public Information Officer

Erin Walsh distributed an article about Speak Up Scottsdale that appeared on the front cover of the Scottsdale edition of the Arizona Republic. Speak Up Scottsdale officially went live on September 10 and now has 115 users signed up. Some of the ideas might be future bond projects which staff is researching. Next week staff plans to promote the bond section of Speak Up Scottsdale on all social media channels. Although Task Force Members are asked not to comment on bond specific topics, they can encourage those around them to participate.

Vice Chair Frost inquired about how staff is monitoring comments. Erin Walsh said the Public Information Office is managing the tool for the City. The host company, Granicus, is also monitoring the site to screen out posts that do not conform to the rules users agreed to follow when they signed up. This is truly a community town hall and everyone is welcome to have their say in an appropriate manner.

No members of the public wished to address the Task Force on this item.

4. Presentation, discussion and take possible action on the staff update to the 2012 Bond Program – *City Staff*

Bill Peifer stated that the approximately 20 staff members on the Bond Tactical Group have reviewed the entire list of projects as it stood when the previous Bond Task Force finished its work. The 2012 program included 34 projects. Currently there are 31 projects. He discussed how some projects have changed since last year. The Bond 2013 program staff is recommending tonight totals \$158.1 million, less than the Bond 2012 program which had totaled \$160.8 million.

Erin Walsh explained that when City Council formed the 2013 Bond Task Force, they wanted to move forward and applauded the 2012 Bond Task Force for its work. To build on the work of the 2012 Bond Task Force, the first step would be to accept the base program just presented. This is not a final decision but a basis for future deliberations.

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A Task Force member remarked that the information presented was hard to follow. A side by side comparison would be helpful. Bill Peifer said 13 projects changed and one was deleted. For the remaining 20 projects, no changes were made. Erin Walsh volunteered to prepare side by side comparisons for the Task Force if they so wished.

Vice Chair Frost asked about the series of slides on Question One. Bill Peifer said the first slide shows the Bond 2000 version, the seventh slide shows the question as it now stands in the proposed base program, and the five intervening slides show changes made one by one. Other Task Force members agreed the information presentation seemed confusing. Vice Chair Frost said the first and last slide for each question basically is a side by side comparison, although the reasons for the changes are not displayed in them.

Erin Walsh said all the information about reasons for changes in every project is contained on a very large and detailed spreadsheet. She offered to email that to the Task Force Members the next day so they could take two weeks to review it.

A Task Force Member said they need to delay this decision and take their time to review the information. He felt a detailed presentation from staff explaining how and why certain projects changed would be most useful. He could not agree to the proposed base program without a full understanding, which would include details of why project costs increased.

Erin Walsh said staff can email the spreadsheet and Task Force Members can email their questions to staff after reviewing it before the next meeting. By consensus they agreed they would like the spreadsheet. Another Task Force Member said the rankings would be helpful. Bill Peifer said projects are in rank order within each question. Vice Chair Frost pointed out that costs are continually changing and will continue to change throughout the life of each project.

No members of the public wished to address the Task Force on this item.

Motion to delay approval of the staff update to the 2012 Bond Program, made by Teresa Kim Quale. 2nd by Sue Sisley.

Approved 7:0

5. Presentation, discussion and on the Future Year Bond Program Database – Dave Lipinski, Project Manager

Erin Walsh introduced Project Manager Dave Lipinski. The database behind the projects that went into the work of the 2012 Bond Task Force, will also be behind the work of the current Task Force. Tonight's presentation would be just a brief overview of this database. Because the

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City is moving towards a shorter bond cycle, some projects in the database are not in the current bond program. She added that they will distribute a copy of the entire database at the end of the presentation. Before the next meeting she asked that Task Force Members review the database and advise staff if they want further detail on any projects.

Dave Lipinski introduced the database, which was in the packet. The total estimated value of all 126 projects is currently \$1.1 billion. The projects have been prioritized by staff. Projects are divided into four categories:

- A. Modified 2012 projects, now 31 projects estimated at \$158.1 million
- B. Near term projects, for the next bond issuance, 8 projects estimated at \$120.6 million, including the Desert Discovery Center
- C. Projects three to five years away, 42 projects estimated at \$510.8 million
- D. Long-range projects (past five years), 39 projects estimated at \$292.4 million

Dave Lipinski elaborated that staff from each department has rank ordered their own projects. In response to a query by a Task Force Member, he explained that the projects are ranked in priority order. In response to a request from a Task Force Member he reviewed the spreadsheet with more detailed explanations. He clarified that the near term projects which the 2012 Bond Task Force chose not to recommend to City Council have not been revised. A Task Force Member suggested that it would be appropriate to ask the sponsors of these near term projects to revisit them and itemize which elements of the project are the most urgent and whether projects could be split into phases. Dave Lipinski said not much consideration was given to projects in tiers C and D since they are further off.

Bill Peifer reminded the Task Force that they still have the option to move projects between the A, B, and C tiers. Erin Walsh said staff is sharing this spreadsheet so that the Task Force can have input. Staff is not assuming that the Task Force will accept every single project in Tier A. They can discuss it now, send an email to staff or discuss it at the next meeting. This meeting and the next three are scheduled for detailed discussion of projects.

A Task Force Member opined that in a sense they are back facing the problem the 2012 Bond Task Force faced: How big should the bond program be? He noted that they received no guidance from City Council. The last Task Force reviewed all the projects in detail. At this stage he is not inclined to add any more projects to the list without convincing information. Staff input would be helpful for this Task Force. The City will need to convince people of the importance of these projects to Scottsdale.

Erin Walsh said at the next meeting they plan to address many of these issues with the City Treasurer. The Task Force member said he was

reassured that they are not ignoring the guidelines and principles of the 2012 Bond Task Force. Erin Walsh assured him that the projects to be presented over the course of tonight and the next three meetings will be evaluated according to the same methodology as last year.

Vice Chair Frost called for public comment.

Martha Ecton recalled her experience with the Citizens' Budget Review Commission where the voters rejected a bond program worth \$30 million. Now they are talking about a program that is five times bigger, she opined that the voters will reject it even more overwhelmingly. Erin Walsh explained that the items in Tier B are in the database. This does not mean they will be part of a bond program. Martha Ecton recalled that the 2012 Bond Task Force had decisively rejected including the Center for the Performing Arts project in the bond program and asked why in that case staff keeps bringing it back. Bill Peifer said this project is now in the next bond cycle, so the earliest it could be voted upon would be 2016 if it is recommended for that bond program. He denied that anyone is pressuring staff to keep mentioning this project.

Because of telephone difficulties, Chairman Heckman advised he was leaving the meeting.

6. Presentation and discussion of the Transportation Department capital needs – Paul Porell, Traffic Engineering Director

Paul Porell presented updated information on the priorities of the Transportation Department.

A Task Force Member asked for details of the enhanced crossings planned for the trails.

Another Task Force Member inquired about the advanced funding available through other levels of government. Several Task Force Members agreed that the concept is difficult to grasp.

Paul Porell elaborated that the monies in the regional freeway program have been allocated to expand Loop 101 by one additional general purpose lane in each direction for the full length from I-17 to the interchange with Loop 202 in Tempe. Estimated cost is approximately \$150 million. The first phase from Shea Boulevard to the 202 is currently under design and is expected to be under construction in 2014. The project staff proposes is in the area of the second phase of the freeway widening, expected to take place in 2021. Staff believes these improvements can be incorporated into the general freeway widening program. However at an estimated cost of \$11 million, they could be undertaken in 2014. This would improve access to the Loop 101 and alleviate a major bottleneck at rush hour.

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Paul Porell summarized that if this project were part of the bond program, the freeway widening would be done by done by ADOT and paid for with regional funds. Scottsdale would pay the region the financing cost for moving the project from 2021 to 2014.

Vice Chair Frost asked whether this would be a legal use of bond funds. Bill Peifer advised that he has checked with financial services and bond counsel and confirmed that it is. Task Force members concurred that the traffic at the interchange of Loop 101 and Princess is currently a mess. Bill Peifer said the proposal would be a lot more efficient at moving people through the intersections in the area.

Vice Chair Frost asked where at Grayhawk the trail extension would end. Paul Porell said the Grayhawk community already has extensive trail and path infrastructure. This extension would connect Grayhawk and DC Ranch to the larger trail project that extends to Tempe Town Lake. The paths from Grayhawk to WestWorld and the Desert Discovery Center and the Preserve would be suitable for horses.

No members of the public wished to address the Task Force on this item.

7. Presentation and discussion of the Public Safety Division capital needs – *Tom Shannon, Interim Fire Chief*

Tom Shannon presented the Fire Department's capital needs, noting that the Scottsdale Fire Department works with 25 other cities around the Valley to ensure parity of emergency services throughout the whole area. The age of the Fire Department Training facility makes expansion an urgent need. This is one of five major training centers for the Valley but is the least capable to conduct regionalized training.

He confirmed to a Task Force Member that the estimated \$5 million cost has not changed from last year. The Fire Department is merely requesting that this receive separate consideration from the Police Department facility.

Tom Shannon and Tom Melton introduced a new project, explaining that the aircraft rescue firefighting capability at Scottsdale Airport which includes two pieces of equipment. This is a new project that has been developed within the last two weeks. The backup ARFF truck has become inoperable. This was bought used in 1996 or 1997 and at the time had an expected life cycle of ten years. The reality is that aircraft operations have changed so much that they believe it would be negligent to leave the Airport with just one piece of equipment. Right now, if the current remaining piece of equipment goes out of service, they would rely on the Department's automatic aid partners. Only Phoenix and Mesa could provide ARFF equipment.

Tom Shannon discussed Airport operations volume. City Council has adopted a strategic plan that supports larger, quieter aircraft using the Airport, including the new Gulfstream G650. These aircraft have specific firefighting requirements. With a U.S. Customs Officer at the Airport, travelers can fly from overseas. The insurance carried by corporate jets requires that they use airports with adequate ARFF. Without adequate firefighting equipment at Scottsdale Airport, these flights will be lost to Phoenix, Mesa Gateway or Falcon Field.

He shared that in the last year they have had 134 alerts at the Airport. Tom Shannon explained that the fire truck at Fire Station #9 could be an immediate backup if the existing Airport fire truck is out of service, however it then could not respond to neighborhood emergency calls for service, a volume of approximately 1,800 annually. He acknowledged that ARFF equipment is very expensive. The Fire Department has some vehicle replacement dollars in the budget, but the figure was based on the purchase price of the original truck, which was \$250,000 in 1997 for a used truck. Today a new truck costs up to \$1 million, although he is optimistic they can find one for between \$500,000 and \$750,000. To him this is a compelling need because Airport operations are such a vital economic driver for Scottsdale.

A Task Force Member requested more details about the need for redundancy. Tom Shannon said if the remaining truck was out of service for a few hours to a few days, they would probably borrow a replacement from another airport. If it were to become irreparable, that would not be feasible. He elaborated that the truck which is in service right now is fairly modern with hopefully many years of useful life left. The old truck is absolutely out of service and can never be used.

Vice Chair Frost asked about the cost of a new truck and Tom Shannon said the Fire Department has approximately \$250,000 to \$300,000 in the budget for vehicle replacement. They would be asking for between \$500,000 and \$750,000 in bond funding. Vice Chair Frost asked whether money from the Airport Enterprise Fund could be used to replace the truck. Tom Shannon said he could not speak for Aviation Director Mascaro. The Fire Department would entertain any options. Their concern is to have a resource available to the Airport. Vice Chair Frost undertook to discuss this possibility with the City Treasurer.

A Task Force Member asked whether there has ever been a time when they needed to borrow equipment from a neighboring airport when nothing was available. Neither of the Fire Department staff could recall this happening.

Vice Chair Frost invited public comment.

Mark Stuart asked about the volume of Airport operations. He suggested that the Airport could raise the money with a levy on each flight. He argued

that Airport users should pay for the necessary equipment and that he never has and never will use Scottsdale Airport himself, neither do his neighbors. The people who use the Airport can well afford to pay collectively for the ARFF equipment. The argument that everyone benefits from the economic activity generated by the Airport is dubious at best, he said.

Mark Stuart asked about statistics on fires and the cost per incident in Scottsdale. Tom Shannon offered to share them with him. Mark Stuart said he felt that when fire stations are built in sparsely populated areas, the residents should bear part of the cost because most newer homes have sprinkler systems. The residents of these sparsely populated areas tend to be wealthier and can more easily afford it than the average resident.

9. Update, discussion and possible action on the status of the Bond Task Force Work Plan – *City Staff*

Bill Peifer said at the next meeting there will be a financial update, rankings for possible revision, a discussion on criteria, and project presentations from Planning and Public Works.

In response to a query from Vice Chair Frost, Bill Peifer said staff is looking for a fairly large room but the venue for the October 3 meeting has not yet been set.

Public Comment

Vice Chair Frost invited public comment on non agendized items.

Mark Stuart said he has reviewed the Bond Task Force materials. He wondered if anyone would give serious consideration to his comments, pointing out that members of the general public will have similar arguments. He asked if he could make a presentation at a meeting.

Mark Stuart said a glaring weakness, especially in the Fire Department projects, is that long-term maintenance costs are not addressed. He could make a very persuasive argument to the public as to why many of the projects are not necessary.

Vice Chair Frost said the Task Force has not yet taken any decisions. She deferred to Jack Shafer of the City Attorney's Office. Jack Shafer agreed with her that Speak Up Scottsdale is the proper forum for comments. He suggested that Mark Stuart contact Derek Earle or the Public Information Office about making a presentation at a Task Force meeting. It may not be feasible given the scope of authority of the 2013 Bond Task Force. Public comment is normally limited to three minutes per speaker but that might be an avenue for making a presentation.

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Mark Stuart shared that he is an investment analyst. He opined that the Task Force's work will be easier if he shares his point of view with them now so they can be prepared with counter arguments to take to the public. He would expect to take about 12 hours to create an in-depth presentation. He opined that staff has a bias towards borrowing money. He feels that rating agencies would see this and not give the City high character marks. He feels they need to know this if they really want to reach out to the public.

In defense of City staff, Vice Chair Frost said she has not seen staff pushing for anything other than basic necessities. Past bond programs have been much bigger. The proposed program is bare bones. It is not correct to say that staff do not properly scope out maintenance and operating costs. Staff ensures that the Task Force members are aware of all of those costs.

Mark Stuart argued that nevertheless staff has a bias. In general in public finance, there is a tendency to get projects off the ground by lowballing them. His presentation will explain the weaknesses in the Bond Task Force manual, but he will only invest his time if his comments will be taken seriously.

Adjournment

The meeting was adjourned at 7:21 p.m.